



MAY 1973

ALBERTA – NATIONAL AFFAIRS

Agriculture Canada's recent publication "Your Food Dollar" focuses on the current controversy surrounding accelerating food prices. Among the interesting facts presented in the report are the following:

- In 1949, an average of 20 hours of work was required to purchase one week's supply of food for a family of four; by 1969, only 11 hours of work were required.
- Between 1949 and 1969, food prices in Canada increased by 50 per cent whereas average disposable income almost tripled. Thus, the rate of increase in disposable income has more than kept pace with the increasing cost of food.
- The amount spent on food almost doubled from 1949 to 1965, but expenditures on non-food items tripled.
- Farmers' share of the total receipts from retail food sales declined from 57 per cent in 1949 to 45 per cent in 1969. The marketing and processing firms' share, however, almost quadrupled in this period due to increased costs of processing and handling basic agricultural products. Food price increases are primarily due to increased marketing and handling costs.

Statistics Canada reports that food prices increased by 7.6 per cent in Canada and were responsible for 45 per cent of the total advances in the Consumer Price Index in 1972.

According to a recent **Financial Times Survey of Business Opinion**, seven out of ten respondents indicated that not enough capital could be generated in Canada to finance economic development without relying on foreign sources.

Eighty-three per cent of the respondents felt that Canadians are too cautious to supply enough **venture capital** and not as willing to take the same risk as, say, Americans. Sixty-two per cent disagreed with the suggestion that foreign subsidiaries perform better than Canadian-owned companies because foreign management is more competent.

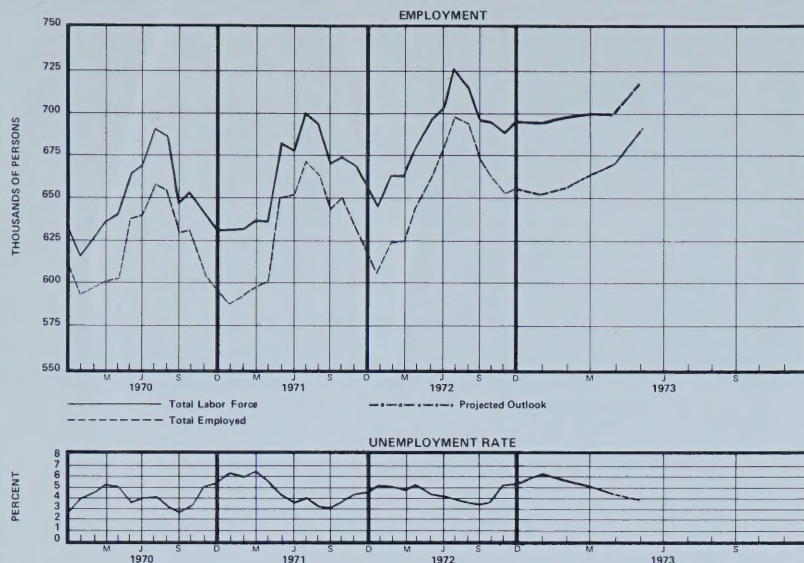
ALBERTA – PROVINCIAL AFFAIRS

The potential for the Athabasca Oil Sands enhances the long-run prospects for Alberta's energy resource-based industries. Hydro-Carb Consultants Ltd. forecast that there will be more rapid development of the oil sands than at first anticipated due to increasing world demand for oil and the development of appropriate extraction technologies. It is estimated that this development will require more than \$19 billion in investment and create about 70,000 permanent jobs over the next thirty years.

A recent report by the Alberta Energy Resources Conservation Board predicts that coal could once again become a prominent energy resource. Alberta possesses known and immediately accessible high-quality coal reserves of approximately 2.5 billion tons and lower quality thermal coal reserves of close to 5 billion tons. The Board indicated that the ultimate reserves for both categories is estimated at several times those levels. The continuing optimism for the coal industry in Alberta is enhanced further by the recent price increases negotiated with the Japanese.

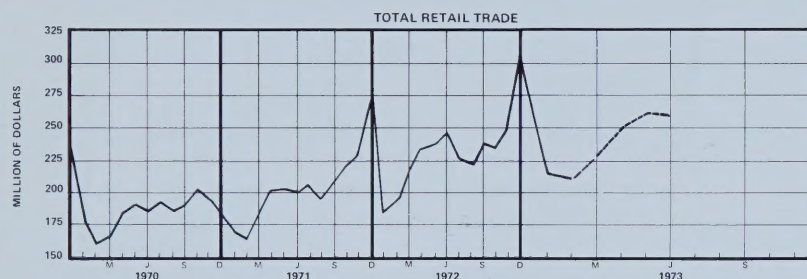
The performance of the Alberta lumber industry is largely dependent on American market conditions. At the recent **Western Forest Economists Conference** in Portland, Oregon, timber supply and demand was discussed at length and all indicators point to increased imports through the end of the century. The sharp rise in residential construction in the U.S. in the early seventies reflects an accumulation of mortgage funds, a surge in Federal housing subsidies, and the pressure from shortfalls in housing starts during the late sixties. These factors are expected to result in further increases in dwelling starts in the U.S. in the near future. Over 2.5 million units were started in 1971.

The longer term outlook indicates increasing imbalance between timber demand and supply. Demand projections by the United States Forest Service (U.S.F.S.) show continuing and rapid increases for sawn timber in the U.S. whereas prospective supplies are not likely to rise unless forest management, utilization, and research programs are substantially expanded.



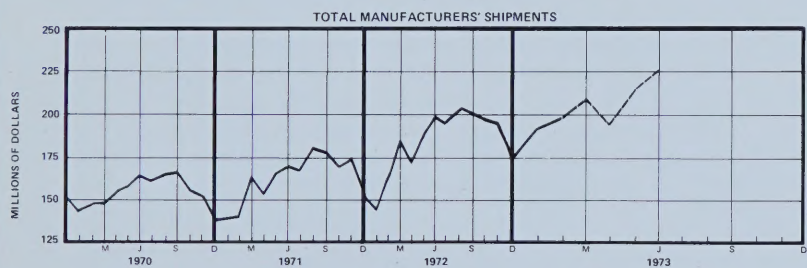
EMPLOYMENT

April's unemployment rate declined to 4.3 per cent due to an increase in total employed to 670,000 and no change in the labour force at 700,000. For May the labour force and total employed are expected to reach 718,000 and 690,000, respectively, resulting in 28,000 unemployed. The large increases in both the labour force and total employed will be mainly due to the increased number of university students now working or seeking work. Prospects for June are for considerable increases in both the labour force and total employed.



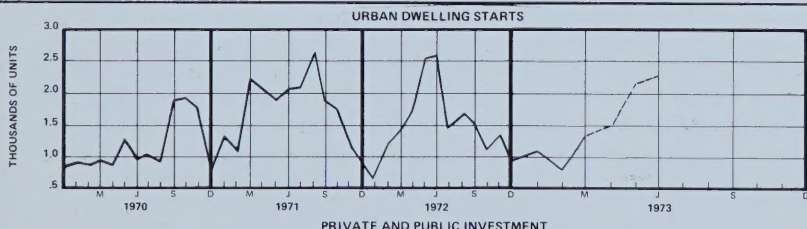
RETAIL TRADE

To the end of February, 1973, retail trade in Alberta totalled \$427 million, 13 per cent above the same two months' total in 1972. February's total of \$212 million was 11 per cent above the same month in 1972. Estimates for March, April and May of \$229 million, \$253 million and \$261 million, respectively, still appear valid, with June's total expected to reach close to \$259 million.



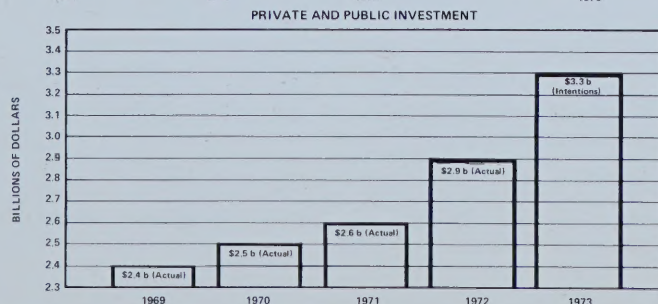
MANUFACTURERS' SHIPMENTS

Total manufacturers' shipments in January and February totalled an estimated \$190 million and \$199 million, respectively, resulting in a two month increase of 23 per cent over the same period last year. June's total is expected to reach \$225 million, an increase of close to 12 per cent over June, 1972. Previously published estimates for March through May still appear valid.

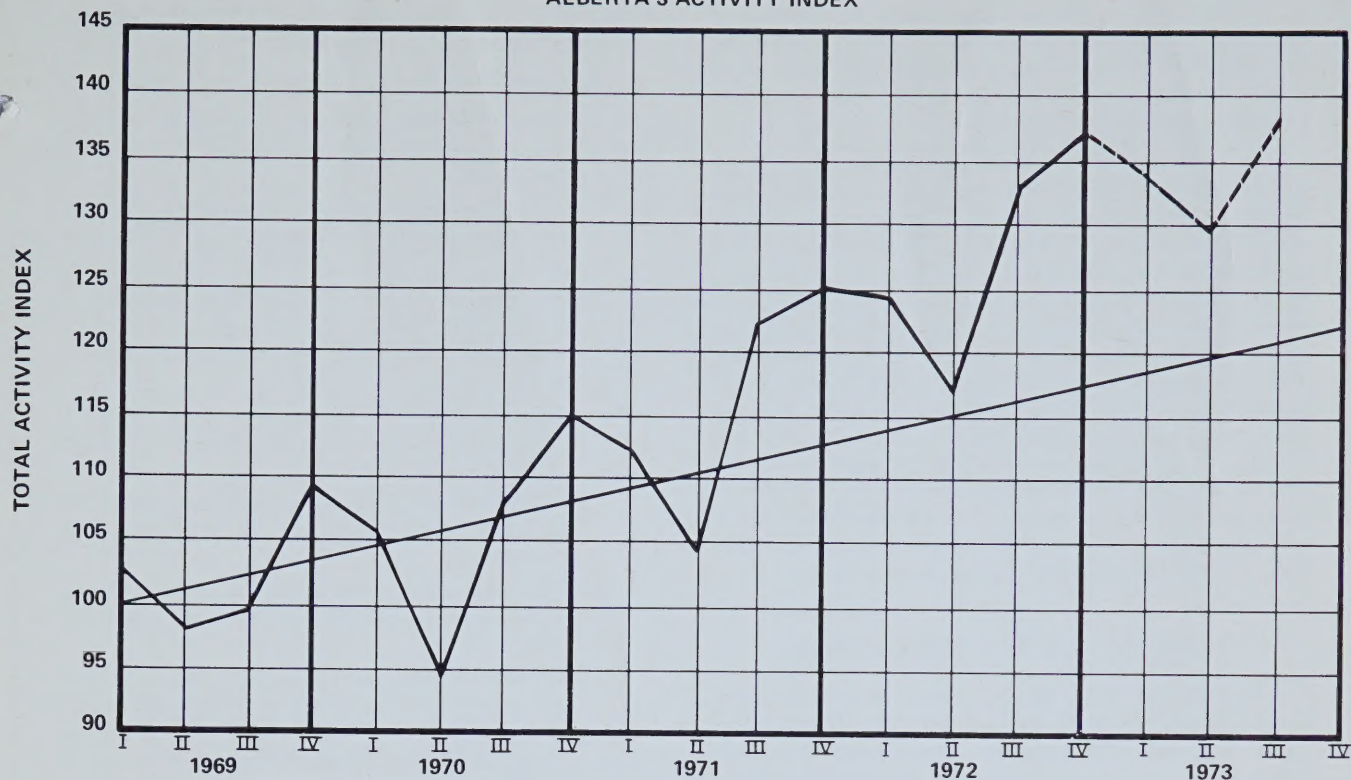


HOUSING

Urban dwelling starts in Alberta totalled 1,339, a decrease of 7 per cent from March, 1972. To the end of the first quarter, dwelling starts totalled 3,202, a decrease of 5 per cent from the same period of 1972. Also influencing this decline from 1972 are rising housing costs, mortgage rates and continuing declines in multiple unit starts. Last month's forecast of 6,000 starts in the second quarter has been reinforced by performance in the first quarter of 1973.



ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity		
	Total Year 1972 - 1970	Total Year 1972 - 1971	Year to Date 1973 - 1972
MANUFACTURING			
Slaughtered Meat Production	+13.6	+ 3.3	+ 2.4 (Jan. - March)
Slaughtered Meat Exported	+12.6	+ 5.3	+ 2.5 (Jan. - March)
Refinery Production	+10.7	+21.4	+14.3 (Jan. - Feb.)
Cement Production	+ 4.5	+ 3.5	+43.5 (Jan. - March)
MINING			
Oil Production	+ 9.4	+20.8	+20.0 (Jan. - Feb.)
Gas Production	+10.1	+16.8	+10.5 (Jan. - Feb.)
Footage Drilled	+ 1.8	+21.9	+24.3 (Jan. - Feb.)
Number of Wells Drilled	+ 9.6	+13.1	+84.9 (Jan. - Feb.)
Coal Production	+31.7	+14.1	+ 1.0 (Jan. - Feb.)
CONSTRUCTION			
Urban Dwelling Starts	+54.0	- 15.4	- 4.9 (Jan. - March)
Rigid Insulation Board Shipments to Alberta	+15.6	+ 5.9	+52.8 (Jan. - March)
Metal Shapes Shipments (Est'd)	- 4.0	+ 7.6	+15.0 (Jan. - March)
AGRICULTURE			
Grain Shipments	+ 8.8	- 2.9	- 1.0 (Jan. - March)
Livestock Marketed	+15.1	- 1.6	- 3.4 (Jan. - March)
Farm Cash Receipts	+ 9.8	+14.0	+35.0 (Jan. - March)
FORESTRY			
Lumber Production	+ 6.1	+16.0	+35.2 (Jan. - Feb.)
Lumber Sales	+34.7	+ 5.7	+32.2 (Jan. - Feb.)
Lumber Exports	+26.5	+24.7	+10.5 (Jan. - Feb.)
Pulpwood Production	- 34.9	+47.8	+212.0 (Jan. - Feb.)

UNEMPLOYMENT RATE (Unadjusted)	April 1973	March 1973	April 1972	March 1972
Canada	6.3	6.8	6.8	7.4
Alberta	4.3	5.1	5.2	4.9

CONSUMER PRICE INDEX (1961 = 100)

Calgary-Edmonton	139.2	138.1	132.0	131.4
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The U.S.F.S. is also analyzing energy requirements of production on an industry basis and it appears that lumber has a definite advantage over such substitute materials as steel. This difference could be extremely important if industrial fuel shortages worsen.

One segment of the American market which looks particularly promising is the mobile home industry. Last year over 600,000 units were built, or more than double the number of dwelling starts in Canada. Since the price of plywood has risen so rapidly in the last two years, many mobile home manufacturers and residential construction firms are switching to particleboard, and will probably not return to using plywood unless its price drops drastically. The U.S. particle-board industry is now operating at between 95 — 105 per cent of rated capacity. However, those firms that are operating at less than capacity are doing so as a result of a shortage of raw materials, especially in the Pacific Northwest. Since Alberta currently has a surplus of raw materials used in the production of particleboard, i.e. phenolic waferboard, our production and marketing opportunities should be enhanced over the next few years.

ALBERTA — INTERNATIONAL AFFAIRS

On April 30, 1973, President Nixon presented his proposals for tax reform to the U.S. congress. The thrust of these proposals is to discourage tax-motivated foreign investment by U.S. firms. Essentially, the parent company will not be allowed to defer tax liabilities or off-set foreign losses when it is showing a profit in U.S. operations.

These proposals have both short-and-long-term implications for Canada. Until they become law, U.S. firms will probably be cautious about investing in Canada. In the long run, these companies may discover that the tax penalties against the parent corporation make investment abroad unprofitable and Canada will be without its current major source of investment capital.

These tax proposals complement the Domestic International Sales Corporation (DISC) legislation, introduced in 1971. Both measures are designed to repatriate manufacturing industries or to prevent them from expanding abroad.

BUSINESS OUTLOOK

Strong economic expansion, will be experienced in Canada in both 1973 and 1974, according to the March, 1973, edition of "Business Forecast for Management", published by Bell Canada Ltd. A real growth rate of close to 6 per cent is anticipated for both years. Price advances, however, will remain excessive in 1973 and only marginal improvement is forecast for 1974. During this period, eco-

nomie policy is expected to focus primarily on reducing unemployment.

Highlights of the outlook for 1973 are as follows:

- Wages and salary increases in excess of price advances will maintain the strength in consumer spending.
- Total increases in spending by all levels of government are expected to be close to the 1972 experience.
- Housing investment is expected to moderate to some extent due to reduced availability of mortgage funds and accelerating building and property costs.
- Housing starts are expected to decline slightly from the 1972 record of 249,900 to near 230,000 in 1973.
- 1972's high personal savings rate should continue in 1973, which augurs well for business capital formation.
- Increased business confidence will be reflected in a more expansive attitude toward inventory accumulation.
- Growth in corporate pre-tax profit should moderate slightly over the next 2 years. After-tax profits will be higher in 1973 to the extent that fiscal incentives to the manufacturing sector are implemented.
- The unemployment rate in 1973 will improve slightly from 1972.
- The Consumer Price Index should increase by approximately 5 per cent in 1973.
- The recent devaluation of the American dollar and the resultant parity float of the Canadian dollar should give Canadian exporters added competitive strength in both Europe and Japan. This, coupled with the accelerating American, European and Japanese economies, leads to the expectation that exports will increase relative to imports, thus improving our balance of trade.
- The need to improve employment means no general tightening of the money supply is expected. However, short-term interest rates may increase slightly due to the demand for funds outpacing the money supply.

The outlook for 1974 is favourable. Strength will be reflected in a buoyant consumer sector, a reduced but still significant rate of government expenditures and an improvement in the growth of business capital accumulation. The unemployment rate will again decline and the rate of inflation is expected to moderate slightly. Monetary management will also tend to be less expansionary.

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